

Rep. Mark Kirk (IL-10)

Testimony before the House Committee on Rules Subcommittee on Legislative and Budget Process

March 11, 2004

Ms. Chairwoman and Ranking Member Slaughter, Congress first recognized the need for a more structured budget process thirty years ago, with the passage of the Congressional Budget and Impoundment Control Act. Since that time, we have learned that this process evolves, adapting to the changing nature of federal revenues and expenditures. When federal expenditures spiked to more than 23 percent of GDP in the mid-eighties, Congress imposed spending discipline by passing the Balanced Budget and Emergency Deficit Control Act of 1985, better known as “Gramm-Rudman-Hollings.” This Act, passed with bipartisan support from memorable leaders such as Bob Dole, Pete Domenici, Tip O’Neill and Claude Pepper, made a difference. By 1990, federal expenditures had dropped to just above 20 percent of GDP, putting us on a course toward budget surplus before the end of that decade. These surpluses changed the way we approached the budget process. Spending caps and PAYGO rules expired, with some critics saying the loopholes opened to circumvent these fifteen-year old rules had diluted their impact. That may be so, but the right action is to update these rules and give them renewed effectiveness. It’s time to bring the budget process into the 21st century.

In the decades ahead, we are facing radical change in the nature of federal receipts and spending. By 2010, the Congressional Budget Office forecasts that Social Security and Medicare expenditures will take 9.5 percent of GDP, up from 6.6 percent in 2003. This demographic-driven increase in entitlement spending means that other government programs must learn to do more with less – unless Congress decides to increase the government’s share of GDP by raising taxes. I believe we should work to keep government lean and efficient, and not seek easy answers by asking the taxpayer to finance our lack of leadership. Balancing budget priorities has always required tough choices, and it will only get harder as entitlement spending grows. We need budget rules that make fiscal discipline a priority and prepare us for the future. Congress must enact budget enforcement rules that provide the backbone to control spending and reduce deficits.

Realizing the urgency of this task, members of the moderate Republican Tuesday Group and the conservative Republican Study Committee joined together to discuss each group’s budget priorities. On February 11, the Tuesday Group and the Republican Study Committee announced twelve consensus principles for the federal budget:

- 1) If federal spending exceeds the amount set by Congress, OMB should use the sequester requirements put into law by the Gramm-Rudman-Hollings Balanced Budget Act to implement across-the-board spending cuts
- 2) Budgets should have the force of law, passed by both houses of Congress and signed by the President

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- 3) The 20 budget functions now used in our budget resolution should be replaced by four broad spending categories: mandatory programs, defense and homeland security, non-defense discretionary programs, and emergency spending
- 4) The current emergency appropriations procedure will be replaced by a “rainy day fund” reserve account for emergencies, which is built up over time and drawn down as needed
- 5) Social Security and Medicare should be exempt from sequesters, and should be given full inflation increases every year
- 6) Budget projections for the next fiscal year will be compared to actual spending for the previous year, not inflation-adjusted “baselines”
- 7) Congressional procedures will allow the President to propose a package of recommended spending recissions. Congress will consider the President’s proposed recission package though expedited debate and an up-or-down vote
- 8) The President will appoint a bi-partisan Commission to make recommendations on proposals to eliminate waste, fraud, and abuse in the Federal budget
- 9) The President would be given authority to eliminate wasteful spending, subject to congressional approval of his action
- 10) Using accrual accounting, Federal funding of pensions and retirement benefits for federal employees and uniformed services personnel will be properly accounted for in the annual budget
- 11) Federal debt to the public would break out a separate accounting of intra-governmental debt
- 12) Points of order to block spending proposals that exceed budget caps would be protected from waivers included in rules adopted for floor action

These principles have been put into the Deficit Control Act of 2004. This bill contains the following provisions:

RENEWED FEDERAL SPENDING DISCIPLINE

- Federal spending above a set cap will trigger a spending sequester that imposes automatic, across-the-board spending reductions
- Social Security and Medicare accounts will be protected from spending cuts
- Discretionary spending must stay within congressionally defined limits

PORK-BUSTING PROVISIONS

- Congressional procedures will permit the President to propose a recission package of spending
- Congress will give the President’s proposed expedited consideration

TRUTH IN ACCOUNTING

- Using accrual accounting principles, the budget will note the present value costs of pensions and retirement benefits for federal employees and uniformed services personnel
- Federal debt to the public would separate Treasury securities held by private investors from debt held by federal agencies and in federal trust funds
- The limit on Federal debt to the public would be adjusted to apply solely to publicly issued Treasury securities

AN EXPEDITED BUDGET PROCESS

- A super-majority vote is required for Congress to suspend a mandated sequester or modify a point of order
- Rules for floor consideration could not include waivers for points of order to block spending proposals that exceed budget caps

A SIMPLE AND BINDING BUDGET

- Congress will pass a Joint Budget Resolution, signed by the President and given the force of law, prior to passing spending bills
- Emergency appropriations will be funded by a “rainy day” reserve account for emergencies, which is built up over time and drawn down as needed
- The budget’s projected spending for the coming year will be compared to actual spending for the previous year

INCENTIVES TO ELIMINATE WASTE, FRAUD, AND ABUSE

- The President would be given authority to eliminate wasteful spending, subject to congressional approval of his action
- The President will appoint a bi-partisan Commission to make recommendations to assure that federal dollars are spent in the most efficient way

One key reform, strongly endorsed by moderates and conservatives alike, is that both discretionary and mandatory spending should be subject to a sequester ax – provided that Social Security and Medicare remain fully funded. Discretionary programs cannot bear the full impact of spending cuts needed to control federal deficits. In FY05, funding for discretionary programs represents only 38 percent of the Administration’s total \$2.1 trillion of projected outlays; mandatory spending outside of Social Security and Medicare represents another 31 percent.

Budget process reform is never quick or easy. Many of the provisions of the Deficit Control Act of 2004 can be found in the Comprehensive Budget Process Reform Act of 1999, introduced by Chairman Nussle. Although the Budget Committee passed this bill in 2000, it failed to receive full house passage. Success this year will be achieved by maintaining a focus on consensus and reaching out for the bipartisan support that has been necessary to pass previous budget process legislation. Consensus and bipartisanship will prevail if we continue to listen to each other and come to agreement on reforms that we all find imperative.

Budget process reform legislation may well be one of the most important bills that Congress considers this year. This is not an “ivory tower” issue. It affects every American household. Congressional Research Service analysts concisely describe the importance of our actions:

“The budget is, however, much more than a matter of numbers. It finances federal programs and assists many households in meeting basic expenses. It provides a safety net for persons facing illness or old age. It is the means by which the United States invests in its future through both physical improvements, such as highway construction, and human improvements, such as training and education. The budget pays for national defense and signals to allies and adversaries the role of the United States in the world scene. It is one of the principal instruments available to the federal government for regulating economic activity and for stabilizing household incomes.”

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We must be confident we are spending taxpayers' dollars efficiently and effectively. I look forward to playing a part in passing this essential reform.